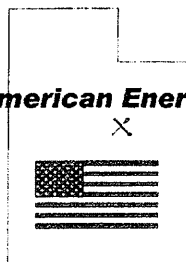


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Original to file  
cc: JRB  
AAW  
S. Alder  
PGL

UtahAmerican Energy, Inc.



Lila Canyon Project

P. O. Box 986, Price, Utah 84501

Phone: (435) 888-4000

Fax: (435) 888-4002

January 23, 2007

**HAND DELIVERED**

John Harja, Esq.  
Public Lands Policy Coordination Office  
Office of the Governor, State of Utah  
5110 State Office Building  
Salt Lake City, Utah 84114-1107

*John Harja*  
C/007/0013

**RE: UtahAmerican Energy, Inc.'s Lila Canyon Extension to the Horse Canyon Mine  
Permit, Application No. C007/013**

Dear Mr. Harja:

On behalf of UtahAmerican Energy, Inc. ("UEI"), I am responding to your letter of January 19, 2007, concerning UEI's above-referenced coal mine permit application.

As you know, UEI had prepared and was ready to file by January 23, 2007, a lawsuit against the Utah Division of Oil, Gas & Mining ("DOGM"), and others if a decision granting the permit application was not issued by DOGM on January 22, 2007, pursuant to DOGM's statutory mandates.

Last week, you contacted UEI's Utah legal counsel, Ms. Denise Dragoo, requesting an additional forty-five (45) days for DOGM to complete its permit review and issue a decision on the permit application. Your letter of January 19, 2007, sent to Ms. Dragoo on behalf of the Governor and DOGM, set forth the commitment to achieve completion of the permit review process by March 8, 2007. Based on the representations in your January 19, 2007 letter, UEI will stand down on pursuing a lawsuit against DOGM and others until Thursday, March 8, 2007.

UEI has substantially completed its response to the "technical issues" attached to DOGM's January 19, 2007 Decision "Requiring Modification of" ("Modification") the Mining and Reclamation Plan for the Lila Canyon Extension, Horse Canyon Mine (the "MRP"). Notably, the majority of the issues raised in the Modification request were new issues from those set forth in the Division's letter dated November 27, 2006, requesting supplemental technical information regarding the MRP. UEI's response regarding hydrologic issues was submitted to the Division on Monday, January 22, 2007, and the response on other issues will be submitted by next Tuesday, January 30, 2007. Please note that the "technical requirements" set forth in "List 3" of the Modification cannot be completed until after DOGM notifies UEI that it is approving the coal mine application.

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JAN 24 2007

DIV. OF OIL, GAS & MINING

John Harja, Esq.  
January 23, 2007  
Page 2

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As you stated in your letter, we trust that the Governor's Office will monitor DOGM, the State Historic Preservation Office and any other state agency involved in this permitting process to see that they begin to fulfill their statutory mandates and achieve compliance with this new schedule so that UEI will not have to file its litigation in this matter.

Very truly yours,



Michael O. McKown  
General Counsel  
UtahAmerican Energy, Inc.

MOM:jmc:428182.2

cc: DOGM Director John R. Baza  
James F. Kohler, Bureau of Land Management  
Denise A. Dragoo, Esq.  
John E. Jevicky, Esq.